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Indonesia

Oilseeds and Products Update

2012

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Highlights:

- Indonesian crude palm oil (CPO) production in marketing year (MY) 2011/2012 is predicted to decline from an initial estimate of 25.4 million metric tons (MMT) to 25 MMT. This downward adjustment is primarily due to production losses because of widespread use of counterfeit seed stock.

- A coconut supply disruption has led to a decline in copra production by 8.75 percent from 1.6 MMT in MY 2009/2010 to 1.46 MMT in MY 2010/2011. Copra production is predicted to further decline to 1.43 MMT in MY 2011/2012.

- Indonesian production of crude coconut oil (CCO) decreased by 28,000 metric tons (MT) in MY 2010/2011 due to lower supply of copra. CCO production is predicted to further decline to 905,000 MT in MY 2011/2012.

Post:
Jakarta

Oil, Palm

Production
Indonesia produced 23.6 MMT of CPO in MY 2010/2011. Although Post initially predicted that Indonesia would produce 25.4 MMT in MY 2011/2012, the final production figures proved to be lower. This decline is primarily due to the widespread use of counterfeit seeds, which is resulting in lower-than-estimated yields. Many planters – particularly smallholder planters – will continue to experience lower levels of productivity due to using counterfeit seeds in their fields.

The Ministry of Agriculture and seed producers estimate that one third of oil palm plantations are planted with counterfeit seeds. One regional plantation office located in a province in Sumatra reports that upwards of half of the 140,000 hectare smallholder plantations in the province are planted with counterfeit seeds. As a result, potential production losses could be as high as 260,000 MT in the current marketing year in this particular province.

Post expects that production losses due to the widespread use of counterfeited seed stock could reduce Indonesian CPO production by 1.6 percent to 25 MMT in MY 2011/2012.

Consumption
Indonesia consumed 6.52 MMT of CPO in MY 2010/2011. The food processing sector is the largest Indonesian end user of CPO. Industrial users of CPO registered the highest growth, at 34.3 percent. Biodiesel and oleochemical products account for the majority of this growth. Domestic CPO consumption is predicted to increase by 10 percent to 7.18 MMT in MY 2011/2012.

Biodiesel producers process CPO directly into fatty acid methyl ester (FAME). The FAME is blended with diesel oil to produce biodiesel. The oleochemical industry uses CPO and refined palm oil products such as Palm Fatty Acid Distillate, olein, and stearin to produce a variety of oleochemical products.

Trade
In MY 2010/2011 Indonesian palm oil exports declined slightly by 0.91 percent over MY 2009/2010 (16.573 MMT to 16.423 MMT). This decline is due to logistical problems and higher domestic consumption levels.

Dumai, Belawan, Panjang, and Teluk Bayur are the major Sumatran seaports from where Indonesian

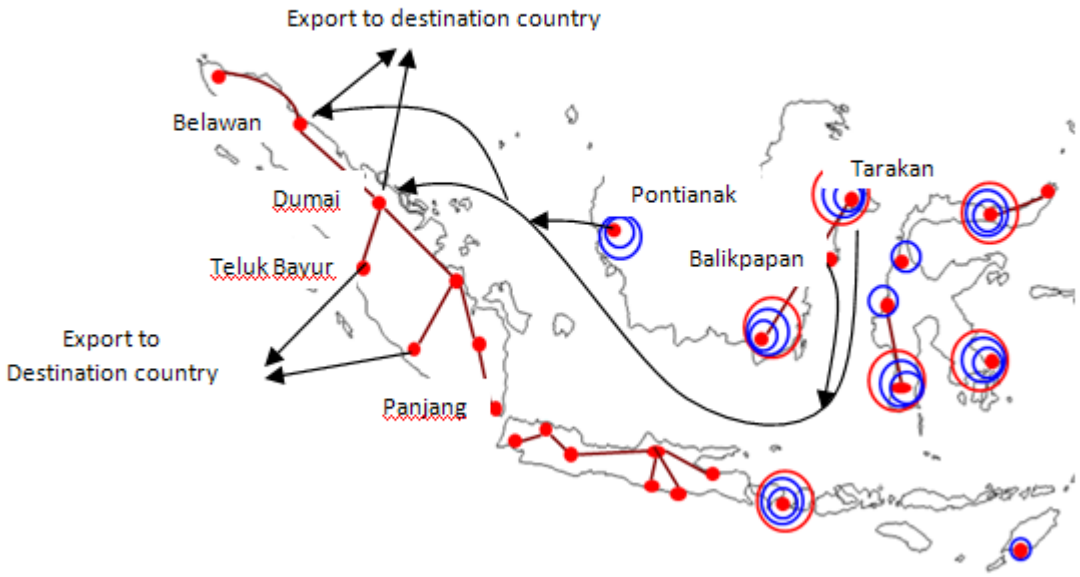
palm oil is exported to destination countries. These four seaports have the facilities that can support the requirement for loading and unloading palm oil destined for export markets, to include:

- Liquid storage tank capacity of 1.12 MMT;
- Pumps and pipelines necessary to transfer palm oil from storage tanks to vessels; and
- Wharfs that can accommodate large liquid bulk vessels.

The development of these facilities, however, fails to keep up with the overall growth of Indonesia's palm oil production. The wharfs of the aforementioned seaports can only serve one or two vessels with average loading times of 4 hours per vessel. As production expands, vessel traffic will subsequently increase and the palm sector will require greater port capacity. There are several consequences that could result from higher vessel traffic and the failure of seaports to expand, to include:

- Vessel will need more waiting time to dock;
- Relatively slow moving palm oil from storage tank to the tankers
- Longer waiting time for the trucks and small-medium boats to transfer their carrying palm oil to storage tank. This situation lead to higher levels of domestic palm oil stocks caught up in transit.

Indonesian Palm Oil Export Flow



In MY 2010/2011, Kalimantan produced a 5.2 MMT palm oil, equivalent to 22 percent of the overall national production. However, Kalimantan does not have deep water seaports that can serve vessels. Consequently, palm oil producers from the Kalimantan must transport their palm oil to Dumai and Belawan seaport using small-medium sized boats before the palm oil can be exported to destination countries. Weather related disturbances and congestion in Dumai and Belawan can potentially increase levels of Kalimantan-based palm oil stock in transit.

Palm oil distribution from the mills and refineries to the seaports is also complicated because of bad road conditions and heavy traffic on small roads. This also increases stock of in-transit Indonesian palm oil.

Poor logistical infrastructure in Indonesia is confirmed by World Bank in its Trade Logistic Performance Index (LPI). Indonesia's LPI rank was downgraded from 43 out of 150 countries in 2007 to 75 out of 155 countries in 2010.

While waiting for the government to expand major seaports in Sumatra and to build the Maloy deep water seaport in East Kalimantan, palm oil producers export their products through Tawau seaport in Sabah, Malaysia and Singapore. Tawau port is one of the 8 main ports in Sabah. The facilities are supportive and the port is accessible by international shippers.

The above map shows that palm oil producers in West and East Kalimantan have more access to export their products through Tawau seaport. This alternative export channel is expected to help supporting Indonesian palm oil export growth in the current marketing year. Post predicts that Indonesian palm oil exports will increase by 6.6 percent to 17.5 MMT in MY 2011/2012.

Ending Stock

There are several categories of stock based on palm oil export flow from the mills and refineries to the seaports:

- Stocks that keep at the storage tank in the major seaports. The stock at this category can reach 1.12 MMT at maximum.
- Stocks that keep at the storage tank in palm oil mills and refineries.
- Stocks in transit: palm oils that are transporting to the seaports by trucks and small medium boats.

Limited infrastructure in the major seaports is increasingly straining the capacity of storage tanks in port areas. Should the bottleneck in the major seaports continue, stocks in transit as well as stocks in the

mills and refineries will start increasing.

Indonesia's palm oil ending stocks increased significantly from 242,000 MT in MY 2009/2010 to 922,000 MT in MY 2010/2011 due to export logistic problems. Consequently, the utilized capacity of storage tanks in the major seaports increased to 82 percent.
The logistical infrastructure problems will keep being one of the major constraints to boosting palm oil export growth, as these challenges will take years solve. Higher palm oil production in the current marketing year will be partly converted into higher ending stock. Post predicts that palm oil ending stock will increase to 1.275 MMT in MY 2011/2012.

Oil, Palm Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0		0		0	0	(1000 HA)
Area Harvested	0	6,430	0	6,820	0	7,210	(1000 HA)
Trees	0	964,500,000	0	1,023,000,000	0	1,081,500,000	(1000 TREES)
Beginning Stocks	190	190	242	242	773	922	(1000 MT)
Production	22,000	22,000	23,600	23,600	25,400	25,000	(1000 MT)
MY Imports	49	49	23	23	33	33	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	22,239	22,239	23,865	23,865	26,206	25,955	(1000 MT)
MY Exports	16,573	16,573	16,422	16,423	17,950	17,500	(1000 MT)
MY Exp. to EU	2,950	2,950	4,100	2,143	4,500	2,500	(1000 MT)
Industrial Dom. Cons.	1,165	1,165	1,700	1,565	2,150	2,000	(1000 MT)
Food Use Dom. Cons.	4,110	4,110	4,800	4,785	4,800	5,000	(1000 MT)
Feed Waste Dom. Cons.	149	149	170	170	170	180	(1000 MT)
Total Dom. Cons.	5,424	5,424	6,670	6,520	7,120	7,180	(1000 MT)
Ending Stocks	242	242	773	922	1,136	1,275	(1000 MT)
Total Distribution	22,239	22,239	23,865	23,865	26,206	25,955	(1000 MT)
CY Imports	47	47	55	55	65	65	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	17,500	17,500	18,000	16,500	19,500	18,000	(1000 MT)
CY Exp. to U.S.	0	72	0	48	0	50	(1000 MT)
TS=TD		0		0		0	
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Oilseed, Copra

Production

Indonesia's coconut production declined by 1.43 percent from 3.5 MMT copra equivalents in MY 2009/2010 to 3.45 MMT in MY 2010/2011. The above normal rainfall in MY 2009/2010 reduced the productivity of coconut trees in MY 2010/2011.
Production of copra is determined by the availability of coconuts. Indonesian copra producers have witnessed a significant drop in coconut supply in MY 2010/2011 due to the following factors:

1. The rising demand from other coconut users to include coconut-based food producers, households, and restaurants; and
2. Export of coconut increased significantly by 189 percent from 48,500 MT copra equivalents in

MY 2009/2010 to 140,000 MT in MY 2010/2011. With regard to this issue, Indonesian Coconut Forum (FOKPI) has submitted a proposal to Ministry of Trade to impose 30 percent export tax on coconuts. Export tax aim at securing coconut supply for domestic coconut-based food manufacturers.

Coconut supply disruption has led to the decline in copra production by 8.75 percent from 1.6 MMT in MY 2009/2010 to 1.46 MMT in MY 2010/2011.

Lower copra production amidst strong demand has raised the farm-gate-price of copra from IDR 6,500-7,000 per kilogram to IDR 9,500-10,000 per kilogram in MY 2010/2011. Price of copra is expected to stay at high level in the current marketing year thereby providing incentives for copra makers to produce more copra. It would not be easy, however, for copra makers to procure more coconuts due to strong demand from other coconut users and low productivity of coconut trees as a result of old crops and improper agriculture practices. Post predicts that Indonesia's copra production will further decline to 1.43 MMT in MY 2011/2012.

Consumption

Producers of CCO use nearly all copra in Indonesia. The producers crushed 1.495 MMT of copra in MY 2010/2011 to produce CCO. Approximately 1.44 MMT of copra will be crushed in MY 2011/2012.

Trade

Indonesia's export volume of copra declined from 40,000 tons in MY 2009/2010 to 36,000 tons in MY 2010/2011 due to lower supply. Post, however, understands that Indonesia may still be able to export 40,000MT in MY 2011/2012.

Ending Stock

Ending stock decreased from 173,000 MT in MY 2009/2010 to 92,000 MT in MY 2010/2011 due to lower copra production. Ending stock is expected to further decline to 32,000 MT in MY 2011/2012.

Oilseed, Copra Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	(1000 HA)
Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	172	172	173	173	108	92	(1000 MT)
Production	1,600	1,600	1,535	1,460	1,480	1,430	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	1,772	1,772	1,708	1,633	1,588	1,522	(1000 MT)
MY Exports	39	39	34	36	31	40	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	(1000 MT)
Crush	1,550	1,550	1,552	1,495	1,460	1,440	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	10	10	14	10	14	10	(1000 MT)
Total Dom. Cons.	1,560	1,560	1,566	1,505	1,474	1,450	(1000 MT)
Ending Stocks	173	173	108	92	83	32	(1000 MT)
Total Distribution	1,772	1,772	1,708	1,633	1,588	1,522	(1000 MT)
CY Imports	0	0	0	0	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	39	39	40	35	40	40	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD		0		0		0	
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Oil, Coconut

Production

CCO is extracted from copra. Indonesian production of CCO decreased 28,000 MT from 968,000 MT in MY 2009/2010 to 940,000 MT in MY 2010/2011 due to lower copra supply. As the production of copra is predicted to continue declining, production of CCO is predicted to further decline to 905,000 MT in MY 2011/2012.

Consumption

Domestic consumption of CCO registered a 32 percent increase in MY 2010/2011. Post sees that the consumption level will rise from 430,000 MT to 445,000 MT in MY 2011/2012.

Export

Indonesia exported higher volume of CCO at 572,000 MT in MY 2010/2011. Export of CCO is predicted to continue rising to 600,000 MT in the current marketing year of 2011/2012.

Ending Stock

Ending stock declined from 258,000 MT in MY 2009/2010 to 216,000 MT in MY 2010/2011 due to higher domestic and foreign demand. The stock may sharply decline to 76,000 MT in MY 2011/2012.

Oil, Coconut Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Crush	1,550	1,550	1,552	1,495	1,460	1,440	(1000 MT)
Extr. Rate, 999.9999	1.	0.6245	1.	0.6288	1.	0.6285	(PERCENT)
Beginning Stocks	171	171	258	258	226	216	(1000 MT)
Production	968	968	968	940	968	905	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	1,139	1,139	1,226	1,198	1,194	1,121	(1000 MT)
MY Exports	556	556	572	572	600	600	(1000 MT)
MY Exp. to EU	97	97	110	110	125	125	(1000 MT)
Industrial Dom. Cons.	200	200	255	235	247	250	(1000 MT)
Food Use Dom. Cons.	125	125	173	175	193	195	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	325	325	428	410	440	445	(1000 MT)
Ending Stocks	258	258	226	216	154	76	(1000 MT)
Total Distribution	1,139	1,139	1,226	1,198	1,194	1,121	(1000 MT)
CY Imports	0	0	0	0	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	564	564	660	540	660	600	(1000 MT)
CY Exp. to U.S.	50	104	50	57	50	95	(1000 MT)
TS=TD		0		0		0	
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Appendix:

U.S Tropical Oil Import from Indonesia by Volume (Metric Ton)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Crude Coconut Oil	52,564	23,012	20,923	73,136	36,924	49,078	101,418	103,868	57,143	94,681
Refined Coconut Oil	27,087	8,917	2,514	10,774	37,244	7,116	8,064	24,017	14,428	52,600
Refined Palm Oil	2,747	2,304	15,450	14,980	54,643	50,745	67,868	72,436	48,476	50,244
Crude Palm Kernel & Bab Oil	5,012	7,005	8,202	3,409	6,500	13,500	16,002	35,002	-	31,000
Refined Palm Kernel & Bab Oil	8,492	14,327	35,427	52,142	42,323	22,480	19,080	9,149	7,409	321
Total Tropical Oil	95,902	55,566	82,516	154,441	177,634	142,919	212,432	244,472	127,456	228,845

U.S Tropical Oil Import from Indonesia by Value (Thousand US$)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Crude Coconut Oil	18,315	10,438	14,036	45,130	20,209	38,657	123,739	83,198	47,826	158,426
Refined Coconut Oil	9,648	4,098	1,917	6,926	24,004	6,189	10,474	25,073	14,006	91,899
Refined Palm Oil	1,071	1,005	7,429	6,103	22,318	30,245	69,413	50,308	34,908	58,249
Crude Palm Kernel & Bab Oil	1,940	2,485	3,725	2,008	3,297	8,034	17,382	20,588	-	51,460
Refined Palm Kernel & Bab Oil	4,139	6,685	23,444	36,014	24,937	19,177	21,751	6,948	7,657	759
Total Tropical Oil	35,113	24,711	50,551	96,181	94,765	102,302	242,759	186,115	104,397	360,793

U.S Tropical Oil Import Price from Indonesia (US$/Metric Ton)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Crude Coconut Oil	348.44	453.59	670.85	617.07	547.32	787.67	1,220.09	800.99	836.96	1,673.26
Refined Coconut Oil	356.19	459.56	762.41	642.85	644.50	869.72	1,298.91	1,043.99	970.76	1,747.13
Refined Palm Oil	389.88	436.18	480.84	407.40	408.43	596.02	1,022.76	694.52	720.10	1,159.32
Crude Palm Kernel & Bab Oil	387.07	354.73	454.17	588.99	507.21	595.12	1,086.24	588.20	-	1,659.99
Refined Palm Kernel & Bab Oil	487.39	466.61	661.75	690.70	589.21	853.05	1,139.98	759.39	1,033.49	2,368.17
Average Price	366	445	613	623	533	716	1,143	761	819	1,577

Source: USDA